

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **May 14, 2002**

AGENDA ITEM NO.: **2**

CONSENT:

REGULAR: **X**

CLOSED SESSION:

(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: Redirection Of Available Program Income From An Urban Development Action Grant (UDAG) To The Department Of Housing And Urban Development (HUD) And The City Of Lynchburg

RECOMMENDATION:

Appropriate \$172,986 of UDAG program income for the repayment to HUD (\$82,761) for the HOME rehabilitation projects located at 1701 and 1703 Grace Street and the allocation of the remaining available program income (\$90,225) for CDBG eligible projects.

SUMMARY:

In 2001, HUD performed its annual monitoring review of Lynchburg's CDBG and HOME Programs. HUD discovered one "finding" in its review regarding the rehabilitation projects at 1701 and 1703 Grace Street. The projects were funded through HOME and the Diamond Hill Neighborhood Watch and Restoration (DHNWR) performed the work, which is now defunct. HUD found that DHNWR exceeded the maximum allowable amount per housing unit allowed. The City sought an appeal of HUD's finding because we did not agree with their finding (see attachment A).

In lieu of a long and costly appeal process, HUD offered a compromise solution allowing the City to use program income from UDAG to reimburse HUD for the DHNWR project. The City believes that this is an equitable solution and now seeks City Council approval to arrange for the necessary transfer of funds.

As background information, in 1978 the City received UDAG funds from HUD for downtown redevelopment (Radisson Hotel). Since 1981 the City has received program income generated by interest earned on the UDAG funds. The Lynchburg Redevelopment and Housing Authority (LRHA) administered the UDAG funds and issued bonds (\$1.5 million). The interest earned on the UDAG funds was returned to the City as program income totaling \$438,721. This income has been used to support various CDBG eligible projects since 1981 (see attachment B) and the remaining balance is \$172,986.

HUD stated that the reimbursement for the Grace Street project (\$82,761) would require some redirection of local and federal funds as follows:

1. City transfers \$82,761 of UDAG Program Income to CDBG eligible project(s) in the FY 2002-2007 Capital Improvements Program (CIP) Downtown/Riverfront Redevelopment project (Ninth Street Improvements).
2. City transfers \$82,761 in CIP Downtown/Riverfront Redevelopment funds to HUD to reimburse HUD for 1701 and 1703 Grace Street.
3. HUD returns \$82,761 to City's HOME fund and City redistributes to other HOME eligible projects at later date.

The remaining UDAG Program Income funds (\$90,225) could be distributed to CDBG eligible projects (HUD requirement for use of UDAG program income).

City Council at its work session on April 16 allocated the remaining \$90,225 to additional CDBG projects that had been received through the 2002 Action Plan process.

PRIOR ACTION(S):

April 16 – Work Session

FISCAL IMPACT:

Additional funds in the amount of \$90,225 that can be utilized for City and/or CDBG projects.

CONTACT(S):

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ATTACHMENT(S):

1. UDAG Program Income Analysis
2. Chronology of events related to Diamond Hill Neighborhood Watch and Restoration-Grace Street Properties
3. Project Allocations

REVIEWED BY:

Resolution

BE IT RESOLVED that \$172,986 is appropriated to the City/Federal/State Aid Fund, with program income resources from designations for the Urban Development Action Grant, to fund \$90,225 in CDBG eligible projects and \$82,761 for Downtown/Riverfront Redevelopment; and

BE IT FURTHER RESOLVED that \$82,761 local funds from the FY 2002-2007 Capital Improvements Program (CIP) Downtown/Riverfront Redevelopment is realigned to repay HUD for Grace Street ineligible expenses.

Introduced:

Adopted:

Certified:

Clerk of Council

094L

Chronology of Events
Diamond Hill Neighborhood Watch and Restoration
Rehabilitation Project – 1701 and 1703 Grace Street

1. August 1994 – Lynchburg Redevelopment & Housing Authority conveys both properties to Diamond Hill Neighborhood Watch and Restoration (DHNWR) at \$0.
2. March 1995-October 1996 – City reimbursed DHNWR \$75,748 in HOME funds for renovations to 1701 Grace Street and \$74,111 in HOME funds for renovations to 1703 Grace Street.
3. August 1995 – DHNWR obtained a construction loan from Central Fidelity in the amount of \$105,300 for the renovations to both houses.
4. October 1996 – DHNWR completed rehabilitation at a cost of \$148,859.
5. January 1997 – City cancelled HOME contract with DHNWR, thereby cutting off any originally committed HOME funds for other projects. City cancelled contract with DHNWR because they became very disorganized.
6. March 1997 – City purchased construction loan from bank for both properties totaling \$109,084 after DHNWR defaulted on its loan.*
7. June 1997 – DHNWR sold house at 1701 Grace for \$59,792 to Alice Carter (a HOME eligible purchaser). City received \$53,100 as program income from the sale.

* The City purchased the construction loan from Central Fidelity Bank in order to control the property. The City was concerned that if we did not purchase the loan that the bank would foreclose and then sell the properties to someone who was non-eligible for HOME grants. If that had occurred, the City would have been forced to repay the HOME grants (\$149,859) with City funds. Instead, we chose to purchase the construction loan, become the lead creditor, and work with DHNWR to sell the properties to HOME eligible purchasers. By applying the sale price (minus closing costs) to program income, we could reduce the HOME investment to less than \$88,000 per house.

SUMMARY OF TRANSACTIONS:

	1701 Grace Street	1703 Grace Street
HOME grant	\$ 75,748	\$ 74,111
Construction loan	<u>\$ 54,542</u>	<u>\$ 54,542</u>
Total investment	\$130,290	\$128,653
Program income (from sale of house)	<u>(\$ 53,100)</u>	<u>(\$ 40,653)*</u>
Total HOME \$ invested	\$ 77,190	\$ 88,000

* This is the minimum that the City anticipates receiving for the sale of 1703 Grace Street. City staff is actively marketing the property to a HOME eligible purchaser.

**URBAN DEVELOPMENT ACTION GRANT (UDAG)
ANALYSIS OF PROGRAM INCOME
FY 1981 - FY 2002 (To Date 3/31/02)**

<u>Fiscal Year</u>	<u>Program Income</u>	<u>Use of Program Income</u>	<u>Fund Balance</u>
1981	15,484.79	149.38 (a)	15,335.41
1982	19,993.55	4,300.00 (a)	31,028.96
1983	20,150.05	41,058.17 (a)	10,120.84
1984	18,750.05	0.00	28,870.89
1985	18,750.05	29,990.89 (b)	17,630.05
1986	18,750.05	24,450.00 (c)	11,930.10
1987	18,750.05	0.00	30,680.15
1988	18,801.42	25,018.14 (d)	24,463.43
1989	14,075.38	49,726.04 (e)	(11,187.23)
1990	18,750.05	0.00	7,562.82
1991	18,750.05	0.00	26,312.87
1992	18,801.42	0.00	45,114.29
1993	18,750.05	29,042.00 (f)	34,822.34
1994	18,750.04	34,000.00 (g)	19,572.38
1995	18,750.05	28,000.00 (h)	10,322.43
1996	18,801.42	0.00	29,123.85
1997	18,750.05	0.00	47,873.90
1998	18,750.05	0.00	66,623.95
1999	18,750.05	0.00	85,374.00
2000	22,316.36	0.00	107,690.36
2001	45,426.27	0.00	153,116.63
2002	19,869.99	0.00	172,986.62
	<u>438,721.24</u>	<u>265,734.62</u>	<u>172,986.62</u>
			Program Income available for use

- (a) $149.38 + 4,300.00 + 41,058.17 = 45,507.55$ LRHA start-up expenses for UDAG
- (b) Radisson Hotel - HUD required that P/I be utilized before drawing down grant funds
- (c) Transferred to Museum System for renovation of Old Courthouse
- (d) Refunded to HUD Jan. 88 as required; grant funds had been drawn down before applying P/I to Radisson exp.
- (e) Transferred to CDBG - Urban Enterprise Zone Loan Pool to correct recording of revenue
- (f) Yoder Recreational Equipment
- (g) Commercial Loan to Spanky's, Inc.
- (h) Commercial Loan to Riverviews, Inc.

URBAN DEVELOPMENT ACTION GRANT (UDAG)
PROJECT ALLOCATIONS

ATTACHMENT C

	UDAG PROGRAM	UDAG PROGRAM
	INCOME - \$90,225	INCOME - \$90,225
PROPOSAL	COMMUNITY DEVELOPMENT ADVISORY COMMITTEE (CDAC) RECOMMENDATIONS FOR UDAG PROGRAM INCOME PROJECTS	CITY COUNCIL RECOMMENDATIONS FOR UDAG PROGRAM INCOME PROJECTS
College Hill Community Center Upgrade (Parks & Recreation)	\$ 5,000	
Ways to Work Program (Alliance for Families & Children)	5,000	\$ 5,000
The Gateway (New Land Samaritan Inn)	10,000	10,000
YWCA Domestic Violence Prevention Ctr. (YWCA)	11,000	11,000
Recreational Facility Development & Historic Preservation (Dance Theatre)	15,000	10,000
Community Parking Lot Project (Jubilee Family Dev Center)	20,000	20,000
College Hill Neighborhood School (College Hill Neighborhood School)	9,000	9,000
Anne Spencer Home and Garden Retreat Preservation Project (The Anne Spencer Memorial Foundation)	0	10,000
The Playhouse Playground Project (Miriam's House)	225	225
CityArts Mentoring Program (Amazement Square)	15,000	15,000
Total UDAG Funds	\$ 90,225	\$ 90,225

2002-2003
HOME PROPOSALS

		GRANT AMOUNT:		\$ 464,000		
		PROGRAM INCOME RECEIVED:		25,684		
		TOTAL TO BE APPROPRIATED:		\$ 489,684		
PAGE NO.	PROGR AM THRESH OLD	PROPOSAL	EXISTING 2001-02 HOME BUDGET	REQUESTED FUNDING	COMMUNITY DEVELOPMENT ADVISORY COMMITTEE RECOMMENDATION	CITY COUNCIL RECOMMENDATIONS
405	ADMIN.	HOME Administration (City)	\$ 10,000	\$ 12,000	\$ 12,000	\$ 12,000
408	ADMIN.	HOME Administration (Lybg. Neigh. Dev. Found.)	\$ 36,000	\$ 34,200	\$ 34,200	34,200
411		Lynchburg Homeownership (Lybg. Neigh. Dev. Found.)	166,000	300,000	155,000	155,000
423	CHDO	Housing Ownership Opportunity Program-CHDO (Lyn-Cag)	69,750	69,600	69,600	69,600
430		Owner Occupied Housing Rehabilitation (Lyn-Cag)	140,090	130,000	93,884	93,884
439		Affordable Homes for Adults with Disabilites (Rush Lifetime Homes, Inc.)	15,000	15,000	5,000	5,000
455		Central Cityl Homes (Lybg. Neigh. Dev. Found. & VMH, Inc.) (Formerly College Hill Homes in prior year funding)	60,000	100,000	60,000	60,000
461		Building Program Inner City In-fill Housing (Greater Lynchburg Habitat for Humanity)*		94,440	60,000	60,000
		TOTAL HOME FUNDS REQUESTED:		\$ 660,800		
		TOTAL HOME FUNDS AVAILABLE:		\$ 489,684		
		TOTAL APPROPRIATION:			\$ 489,684.00	\$ 489,684.00
THE CITY IS REQUIRED TO SET ASIDE						
A MINIMUM OF 15% OF ITS ANNUAL ALLOCATION FOR COMMUNITY HOUSING DEVELOPMENT ORGANIZATIONS (CHDO) (\$69,600)						
ADMINISTRATION SET ASIDE - 10% ALLOWABLE ALLOCATION - (\$46,400)						
*Habitat requested \$39,000 through LNDF for a total request of \$94,440						